MONTANA LEGISLATIVE HISTORY

SJR 19, 1995

Chapter ~~_____~~ 19_____

Bill ~~H_____~~ S_____ Original bill & history ✓C

H. Committee on ~~Approps.~~

Hearing Date(s) _____ ___C

_____ ___C

_____ ___C

_____ ___C

Date Out _____ ___C

S. Committee on Bus & Ind

Hearing Date(s) _____ ___C

3/21 ✓C

_____ ___C

_____ ___C

out 3/21 ✓

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

SJ 18 INTRODUCED BY FRANKLIN

URGE THE EXECUTIVE BRANCH TO DEVELOP PERFORMANCE CRITERIA FOR PROGRAM MANAGERS AND TO ADOPT PERSONNEL POLICIES THAT WILL ENSURE THAT APPROPRIATE MANAGEMENT TRAINING IS PROVIDED FOR MANAGEMENT OFFICERS

2/17	INTRODUCED		
2/17	FIRST READING		
2/17	REFERRED TO STATE ADMINISTRATION		
2/22	MISSED TRANSMITTAL DEADLINE DIED IN COMMITTEE		

SJ 19 INTRODUCED BY SPRAGUE

REQUEST AN INTERIM STUDY OF FEASIBILITY OF ESTABLISHING A STATE-CHARTERED OR STATE-OWNED FINANCIAL INSTITUTION TO ACCEPT AND INVEST FOREIGN DEPOSITS

3/16	INTRODUCED		
3/16	FIRST READING		
3/16	REFERRED TO BUSINESS & INDUSTRY		
3/17	FISCAL NOTE REQUESTED		
3/17	FISCAL NOTE RECEIVED		
3/18	FISCAL NOTE PRINTED		
3/21	HEARING		
3/22	COMMITTEE REPORT—BILL PASSED		
3/25	2ND READING PASSED	32	12
3/27	3RD READING PASSED	31	18
	TRANSMITTED TO HOUSE		
3/28	FIRST READING		
3/28	REFERRED TO APPROPRIATIONS		
4/04	HEARING		
4/04	COMMITTEE REPORT—BILL CONCURRED		
4/06	2ND READING CONCURRED	74	23
4/07	3RD READING CONCURRED	76	20
	RETURNED TO SENATE		
4/11	SIGNED BY PRESIDENT		
4/11	SIGNED BY SPEAKER		
4/11	FILED WITH SECRETARY OF STATE		

SJ 20 INTRODUCED BY MESAROS

CONGRATULATE DOUG SWINGLEY FOR WINNING THE 1995 IDITAROD TRAIL SLED DOG RACE

3/17	INTRODUCED		
3/17	FIRST READING		
3/17	REFERRED TO FISH & GAME		
3/21	HEARING		
3/22	COMMITTEE REPORT—BILL PASSED		
3/25	2ND READING PASSED	45	0
3/27	3RD READING PASSED	49	0
	TRANSMITTED TO HOUSE		
3/28	FIRST READING		
3/28	REFERRED TO FISH & GAME		
3/30	HEARING		
4/03	COMMITTEE REPORT—BILL CONCURRED		
4/05	2ND READING CONCURRED	96	0
4/06	3RD READING CONCURRED	94	3
	RETURNED TO SENATE		
4/08	SIGNED BY PRESIDENT		
4/10	SIGNED BY SPEAKER		

SENATE JOINT RESOLUTION NO. 19

INTRODUCED BY Sprague

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF THE FEASIBILITY OF ESTABLISHING A STATE-CHARTERED OR STATE-OWNED FINANCIAL INSTITUTION TO ACCEPT AND INVEST FOREIGN DEPOSITS; AND REQUIRING A REPORT OF THE FINDINGS OF THE STUDY TO THE 55TH LEGISLATURE.

WHEREAS, Montana law provides for the establishment of state-chartered investment companies that are not subject to federal regulation; and

WHEREAS, Montana law also provides that state regulators keep the required financial reports of those companies confidential; and

WHEREAS, international currency flows are increasing in frequency and volume, and the capacity of Swiss and other foreign financial institutions to accept confidential deposits is not increasing; and

WHEREAS, political instability in Mexico and Canada, as well as other countries, increases the likelihood that citizens of foreign countries will seek a secure haven for their financial capital; and

WHEREAS, the State of Montana stands to gain substantial financial and economic benefits in the form of tax revenue, tax relief, and increased investment from the establishment of a state-chartered or state-owned financial institution designed specifically to accept foreign deposits.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That an appropriate interim committee be assigned to study:

(1) the legal and practical feasibility of setting up a state-chartered or state-owned financial institution;

(2) the incentives that such a company might offer potential foreign depositors; and

(3) the full range of financial, economic, social, and political benefits and costs to Montana citizens that would be associated with the establishment of the institution.

BE IT FURTHER RESOLVED, that the interim committee report the findings of the study, including any recommendations, to the 55th Legislature.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SJR0019, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
A joint resolution of the Senate and the House of Representatives requesting an interim study of the feasibility of establishing a state-chartered or state-owned financial institution to accept and invest foreign deposits; and requiring a report of the findings of the study to the 55th Legislature.

ASSUMPTIONS:
1. The appropriation listed in HB2, second reading copy, to the Legislative Council for interim studies will be passed and approved.
2. The study resolution will receive a sufficiently high priority from the interim study poll that it will be selected and a committee will be appointed.
3. The committee will meet approximately six times between July 1, 1995 and September 15, 1996. The costs of the study including legislator salary, per diem, travel reimbursements, and general operating expenses will be approximately $16,950 over the biennium. Personal services will be $4,460 and $12,490 will be needed for operating expenses.
4. The interim studies appropriated funds to the Legislative Council will be sufficient to absorb the costs of this study.
5. Existing staff at the State Auditor's Office, Department of Commerce, and Department of Administration will be able to assist in the development of the study and report called for in the resolution.

FISCAL IMPACT:
The projected cost of $16,950 will be absorbed within the interim studies appropriation to the Legislative Council.

David Lewis 3-17-95

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Mike Sprague 3/18/95

MIKE SPRAGUE, PRIMARY SPONSOR DATE

Fiscal Note for SJR0019, as introduced

SJ 19

and yet they were too old to buy the store. He said that was not addressed in **HB 490**. He related **HB 490** was different from the bill in the last session. He announced that bill was funded by a general fund appropriation of the legislature with provisions for employee's retraining benefits, relocation, etc. He conveyed this bill was not funded and stated the agencies should use unexpended revenues to assist those employees. He asserted they participated in the drafting of this bill; however, they still had members who were opposed to privatization and didn't feel it would accomplish what the state thought it would accomplish.

SEN. GARY FORRESTER commented that in Billings, where there were three stores, one store had most of the inventory. He related most of the bar owners purchased their products from that one store. He said when one store was allowed to have this large an inventory, what would be the incentive for the employees at the other stores to buy the inventory? How would they ever be able to get some of the bar business? **Mr. Robinson** stated there was flexibility for particular stores. He declared there would be the allowability of delivery. He said the location of the smaller stores may be better for walk-in trade. The tavern activity was 55% of the activity. This left 45% as the walk-in trade. He said service would be the differentiating factor.

SEN. KLAMPE asked **Mr. Staples** if he had looked into the practices of other states involving privatization. **Mr. Staples** declared that there were as many varieties of distribution as there were states. He knew of no two which were exactly the same. He maintained liquor had to do with culture norms, religious norms, distribution patterns, etc.

Closing by Sponsor:

REP. REHBEIN stated he would resist retaining the amendment which was added on the House floor. He said many people in the House were concerned about this bill not allowing enough privatization. He related **HB 574** satisfied the request for privatization. **REP. REHBEIN** also presented to the committee the Comparative Report of Sales by Liquor Stores, **EXHIBIT #7**.

{Tape: 2; Side: A}

HEARING ON SJR 19

Opening Statement by Sponsor:

SEN. MIKE SPRAGUE, SD 6, Billings, presented **SJR 19**. He stated this resolution would provide an interim study of the feasibility of establishing a state-chartered or state-owned financial institution to accept investment of foreign deposits. He referred to a handout which provided an overview of the

resolution, **EXHIBIT #8**, and on the back side was the Department of Revenue Collections -- 1990-1994, **EXHIBIT #9**.

SEN. SPRAGUE related Montana was in a unique situation in terms of population, banking rules, etc. He stated foreign businesses could make bank deposits in America and not pay a tax on those deposits. He related the wealthy had always had options which most people did not. He suggested Montana be the one place established that gave this right to North America. He maintained there were some problems which were reflected in the whereas clauses regarding the instability in currency levels of Mexico, Canada, etc., that would make Montana a safe haven for deposits. They were not encouraging nor discouraging drug money. He stated this resolution would provide two years to study this proposal to check into some of the opportunities Montana had.

SEN. SPRAGUE related a few years ago South Dakota made the exerted effort to amend and/or modify their rules and regulations as to legislation to accept credit card transactions. He expressed right now South Dakota was in the unique situation wherein all credit card transactions come into South Dakota. They were sitting in a very good position for tax revenue. He said Nevada made accommodations for the gambling industry.

SEN. SPRAGUE declared Montana may want to look at the feasibility of accepting foreign deposits. He explained for every billion dollars deposited, the state would receive a one percent royalty or fee. He told the committee the one percent fee on a billion dollars would equal $10 million in revenue per year. He related assuming total investment capital of $100 billion, Montana would realize annual revenues of $1 billion. He conveyed last year the total collections from state taxes were $594,147,256.

Proponents' Testimony:

John Cadby, Montana Bankers Association, stated they were always interested in exploring new ideas. He maintained, based on the proposal, this had no effect on Montana banks in the sense that foreign deposits would go to the State Board of Investments. They would turn around and invest that money in stocks and bonds. All the commercial banks in Montana had about $7 billion in total deposits. He stated the Savings and Loans had about $1 billion and the credit unions had about $1 billion. He related the State Board of Investments had about $5 billion. He said that would put the financial funds in this state at $14 billion.

Mr. Cadby reported about ten years ago, Sioux Falls, South Dakota, would never have been considered a financial center. Citicorp told the Governor of South Dakota if they could repeal all their usury laws and allow them to use Sioux Falls as a headquarters for their credit card base, they would bring 1000 jobs to Sioux Falls. He maintained twenty-four hours later the legislation had passed. He stated First Bank was now moving 1200 jobs to North or South Dakota. He announced the only negative

effect would be whether or not the federal government would allow a state government to have anonymous checking accounts. **Mr. Cadby** said every $10,000 deposit needed to be reported to federal and state regulators and this was to determine the flow of drug money. Section 32-1-108 did allow the creation of an investment company reported **Mr. Cadby**.

Tom Hopgood, Montana Independent Bankers Association,. stated there may be some merit to this idea and asked the committee to consider **Mr. Cadby's** proposal.

Don Hutchinson, Commissioner of Financial Institutions Division of the Department of Commerce, referenced one section of law, § 31-1-108. He related there could be a state investment company which had the ability to take a fee for the service provided. **Mr. Hutchinson** reported there may be a problem with federal preemption, but the research at this point would be primarily legal research.

Opponents' Testimony: None

Informational Testimony: None

Questions From Committee Members and Responses:

SEN. KLAMPE asked **Mr. Cadby** if the fee of one percent would be a realistic fee. **Mr. Cadby** stated he had been advised that would be the charge in Switzerland.

SEN. BENEDICT, referred to the Department of Revenue Collections handout (**EXHIBIT #9**), and stated he had not seen property taxes listed. He asked if the total collected taxes was $600 million and he stated the general fund budget was well over a $1 billion. **SEN. SPRAGUE** replied he was referring to the taxes which Montana citizens paid.

SEN. FORRESTER asked why they would want this to be a state institution? Why leave free enterprise out of this. **SEN. SPRAGUE** replied that a foreign country would not invest money without the state's backing. He conveyed the state would only be in a regulatory position.

SEN. FORRESTER stated that part of the reason the off shore banking industry was so big was due to a confidentiality factor. The investments of state owned institutions had to be under public scrutiny. He asked if **SEN. SPRAGUE** really believed this could work and **SEN. SPRAGUE** referred to a letter from the individual who proposed this idea. He stated when the study was completed it would refer to public laws which applied to federal institutions. He said state banks piggyback on federal laws and regulations for enforcement. **SEN. SPRAGUE** told the committee the FDIC prohibited "no name" accounts. He reported the plan would be not to use the FDIC's $100,000 insurance. He explained the

State of Montana could have more and better insurance purchased on the open market much like security dealers had right now.

SEN. FORRESTER asked **SEN. SPRAGUE** if he had discussed this fiscal note with leadership. **SEN. SPRAGUE** stated the fiscal note told him there would be a joint resolution committee which had "x" number of dollars available and they would determine at that time what the cost would be.

CHAIRMAN JOHN HERTEL asked why Montana was being considered and **SEN. SPRAGUE** replied that Montana would be perfect for this project.

SEN. HERTEL asked about the time frame and **SEN. SPRAGUE** answered that it may take some time. He stated if they moved too fast, something may be missed. He said Wyoming may also be interested.

SEN. BENEDICT asked what was to keep all the other states from following suit and **SEN. SPRAGUE**, referring to South Dakota, stated it would probably be too little too late.

Closing by Sponsor:

SEN. SPRAGUE stated that the experts were not sure whether this would be relatively simplistic. He told the committee the interim study could answer a lot of questions. **SEN. SPRAGUE** related one estimate had been that a law firm could come up with the tools necessary to implement this project in two weeks.

EXECUTIVE ACTION ON SJR 19

Motion: **SEN. KLAMPE MOVED SJR 19 DO PASS.**

Discussion: **SEN. EMERSON** commented that Switzerland had been in this business for years. He related in the late 40's or early 50's, Beirut decided to get into the business of foreign investments. He stated it only took about two or three years to grow; however, the country then had problems and this venture fell apart. He would like to see a study on this proposal.

Vote: The motion **CARRIED UNANIMOUSLY** or voice vote.

SENATE STANDING COMMITTEE REPORT

March 21, 1995

MR. PRESIDENT:
We, your committee on Business and Industry having had under consideration SJR 19 (first reading copy -- white), respectfully report that SJR 19 do pass.

Signed: John Hertel
Senator John R. Hertel, Chair

Amd. Coord.
Sec. of Senate

651125SC.SPV

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 8
DATE 3-21-95
BILL NO. SJR 19

SENATE JOINT RESOLUTION 19

POTENTIAL IMPACT WORKSHEET

* State fee for invested capital per billion dollars deposited at one percent equals $10 million.

* Assuming total investment capital of $100 billion, Montana would realize annual revenues of $1 billion.

* For fiscal year 1994, the total collection of all taxes in Montana was less than $600 million.

* Montana could, under this scenario, eliminate all state taxes and have an additional revenue surplus of over $400 million.

EXHIBIT NO. 9
DATE 3-21-95
BILL NO. SJR 19

DEPARTMENT OF REVENUE COLLECTIONS -- 1990-1994 (FISCAL YEARS)*

	1990	1991	1992	1993	1994
Individual Income Tax					
Income Tax Withheld	$199,220,232	$216,183,975	$266,894,688	$247,858,044	$265,035,584
Income Tax All Other	80,422,761	66,776,110	54,643,406	109,128,890	80,607,819
Subtotal	**$279,642,993**	**$282,960,085**	**$321,538,094**	**$356,986,934**	**$345,643,403**
Corporation Tax					
Corporation License Tax	$80,315,564	$74,319,910	$57,682,673	$85,054,482	$68,871,909
Natural Resource Taxes (State)					
Coal Severance Tax	$67,870,544	$50,457,839	$54,114,111	$35,481,334	$41,187,973
Coal StabilizationTax (Temporary)	0	0	0	2,699,964	12,732
Oil Severance Tax	14,510,149	18,885,901	20,427,115	17,037,621	11,125,518
Natural Gas Severance Tax	1,057,277	1,277,368	1,395,778	1,638,965	1,163,071
Resource Indemnity Trust Tax	5,071,681	3,573,502	4,194,434	3,786,619	2,902,242
Metalliferous Mines License Tax	6,306,356	7,739,030	6,595,467	6,521,076	6,229,683
Oil And Gas Producers' Privilege And License Tax	877,824	978,223	994,384	889,909	578,997
Micaceous Mineral Mines License Tax	4,067	2,456	0	0	0
Subtotal	**$95,697,898**	**$82,914,319**	**$87,721,289**	**$68,055,488**	**$63,200,216**
Other Taxes, Licenses and Services					
Old Fund Liability Tax (Work. Comp.)	$0	$0	$14,067,435	$15,436,795	$41,771,588
Cigarette Tax	11,567,081	11,733,190	12,172,863	12,698,194	12,495,504
Inheritance Tax (Net)	9,049,129	9,339,854	11,338,204	12,869,460	10,885,745
Accommodations Tax	5,488,764	6,237,422	8,762,356	8,029,960	8,348,996
Telephone License Tax	3,760,038	3,899,657	4,983,796	3,865,712	6,835,201
Electrical Energy Producers' License Tax	4,100,543	3,906,194	4,937,510	4,232,200	3,728,365
Nursing Facility Bed Tax	0	0	1,587,432	3,131,331	4,739,833
Public Service Regulation Tax	1,571,594	1,206,887	1,934,214	3,000,673	2,455,541
Tobacco Products Tax	893,111	1,006,909	1,224,587	1,308,951	1,328,908
Emergency Telephone 911 System Fee	1,085,524	1,113,474	1,383,505	1,254,285	1,249,373
Contractor's Gross Receipts Tax (Net)	1,118,458	1,300,905	1,270,364	1,530,528	964,193
Abandoned Property	960,324	905,395	974,013	1,286,062	1,094,511
Consumer Counsel Tax	693,334	751,571	842,961	677,495	353,252
Other	193,051	185,516	207,212	252,951	140,188
Subtotal	**$40,480,951**	**$41,586,974**	**$65,686,452**	**$69,574,597**	**$96,391,198**
Liquor Taxes, Profits and Licenses					
Liquor Profits and Licenses	9,229,431	8,984,081	9,442,258	9,620,369	9,115,412
Liquor, Beer, and Wine Taxes	9,891,131	10,207,148	11,032,923	11,447,341	10,925,118
Subtotal	**$19,120,562**	**$19,191,229**	**$20,475,181**	**$21,067,710**	**$20,040,530**
TOTAL COLLECTIONS	**$515,257,968**	**$500,972,517**	**$553,103,689**	**$600,739,211**	**$594,147,256**

** Source SBAS Report 635.*

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN TOM ZOOK**, on April 4, 1995, at 9:00 a.m.

ROLL CALL

Members Present:

Rep. Tom Zook, Chairman (R)
Rep. Edward J. "Ed" Grady, Vice Chairman (Majority) (R)
Rep. Joe Quilici, Vice Chairman (Minority) (D)
Rep. Beverly Barnhart (D)
Rep. Ernest Bergsagel (R)
Rep. John Cobb (R)
Rep. Roger Debruycker (R)
Rep. Gary Feland (R)
Rep. Marjorie I. Fisher (R)
Rep. Don Holland (R)
Rep. Royal C. Johnson (R)
Rep. John Johnson (D)
Rep. Mike Kadas (D)
Rep. Betty Lou Kasten (R)
Rep. Matt McCann (D)
Rep. William T. "Red" Menahan (D)
Rep. Steve Vick (R)
Rep. William R. Wiseman (R)

Members Excused: None.

Members Absent: None.

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Marjorie Peterson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing:	SJR 19
Executive Action:	SJR 19 BE CONCURRED IN,
	SB 55 BE CONCURRED IN

HEARING ON SJR 19

Opening Statement by Sponsor:

SEN. MIKE SPRAGUE, SD 6, Billings, opened the hearing on SJR 19 which requests an interim study on a state-chartered or state-owned financial institution for foreign investors. He feels the state of Montana would be in a unique position by developing this institution, and likened it to Swiss banking. He estimated Montana would receive 1% from the investments, and used the example of Montana receiving $10 million on $1 billion worth of investments. This resolution requests an interim study committee to examine the feasibility of such an institution. He told the committee that the investors would remain anonymous, therefore, we would not know who they were or where the money was coming from. **SEN. SPRAGUE** said it could possibly be drug-laundering money. **EXHIBIT 1.**

Proponents' Testimony:

John Cadby, Montana Bankers Association, supported the bill in the Senate. He alluded to the possibility that Congress would not necessarily allow a state to have a Swiss-style banking institution, but feels that the study would be interesting. There are millions of dollars invested by anonymous investors in the Cayman Islands, as well as in Switzerland, and this would be an opportunity for the U.S. to recapture some of the money. It is worthy of the study.

Questions From Committee Members and Responses:

REP. ROYAL JOHNSON, HD 10, Billings, asked if other states had this kind of bank and **SEN. SPRAGUE** said no. **REP. JOHNSON** asked why investors would want privacy and **SEN. SPRAGUE** said there could probably be drug money invested. **REP. JOHNSON** then noted Item 2 on the fiscal note, which said the resolution study would receive high priority and a committee will be appointed. He thought only the legislature could decide if it were a high priority or not. The costs of the study would be included in the interim committee's appropriations to the Legislative Council.

REP. JOE QUILICI, HD 36, Butte, asked if there would be only foreign deposits accepted. **SEN. SPRAGUE** wasn't sure, but thought the study would come up with that information. He reiterated that it was an intriguing concept, but **REP. QUILICI** was concerned about laundering drug money in Montana.

REP. WILLIAM WISEMAN, HD 41, Great Falls, asked **Mr. Cadby** why the Citibank hasn't done this yet. **Mr. Cadby** said that this would not be a FDIC-insured bank, that the federal and state

regulations would not allow it. This would be a state-owned enterprise and the federal government would not regulate it. This would be purely a depository for foreign depositors only. He also suggested that the Internal Revenue Service may not let U.S. citizens use it, only foreign investors. **REP. WISEMAN** then asked about the tax situation -- would Congress allow such a situation. **Mr. Cadby** said that Congress would probably not have authority over foreign investors. **REP. WISEMAN** asked if it would be dollar-denominated and if that would attract foreign investors. **Mr. Cadby** said that the investments made in the U.S. are still the safest in the world.

REP. MARJORIE FISHER, HD 80, Whitefish, asked about Item 5 on the fiscal note which says that existing staff from the State Auditor's Office and Departments of Commerce and Administration would assist in the study and report. She said that this is such a new concept, she wondered about their expertise in this field. **SEN. SPRAGUE** agreed that this bill was breaking new ground. He thinks they would show the report to a law office after it's written. **REP. FISHER** then asked how the accounts would be audited. **SEN. SPRAGUE** said that they would audit it the same way banks are audited, but the accounts would have numbers instead of names to keep anonymity. He also said that a Mr. Swoboda from California had called him to sponsor the bill.

REP. BEVERLY BARNHART, HD 29, Bozeman, asked about the appropriate interim committee, if the sponsor thought it would include legislators. He said he didn't know.

REP. BETTY LOU KASTEN, HD 99, Brockway, thought that this should have been researched through legislative staff and not by interim committee. Federal investment laws must be researched and she felt it could have been done by the legislative council staff.

REP. STEVE VICK, HD 31, Belgrade, wanted an explanation of the difference between state-chartered and state-owned financial institution. **SEN. SPRAGUE** didn't know the difference. **REP. VICK** also asked about the probable security problems with holding this amount of money. **Mr. Cadby** said he didn't think it would be state-chartered, but state-owned. It wouldn't be owned by private parties, either. He then compared it to the state Board of Investments, which already is investing over $5 million a year.

REP. ROGER DEBRUYCKER, HD 89, Floweree, clarified that this would not be FDIC-insured and that the state would have to insure it. **SEN. SPRAGUE** thought they could buy insurance somewhere.

REP. DON HOLLAND, HD 7, Forsyth, asked if it were possible that there would be no state fee, he compared the potential revenue to an income tax. Once it is chartered, it is put into the private sector.

REP. ROYAL JOHNSON said it still sounded "too good to be true." He suggested to acquire private money for the study and it was decided that private money could not fund Senate Joint Resolutions. **CHAIRMAN ZOOK** asked what the motivation would be for foreign investors to put their money in Montana when they can have accounts in Switzerland or the Cayman Islands. **SEN. SPRAGUE** agreed that the only incentive would probably be that the american dollar is still an ideal investment. The investments would probably be treasury notes and bonds, etc.

REP. MATT MCCANN, HD 92, Harlem, questioned if the study would give them enough information; they should find out what the federal regulations are before much time is spent on the study.

Closing by Sponsor:

SEN. SPRAGUE said there were more questions than answers. This would definitely bring money into the state if it could be done. And, he wanted Montana to do it before other states caught on to his idea.

{Tape: 1; Side: A; Approx. Counter: 51.8.}

EXECUTIVE ACTION ON SJR 19

Motion: **REP. WISEMAN MOVED SJR 19 BE CONCURRED IN.**

Discussion: **REP. ROYAL JOHNSON** said that he would like to take the funding out of this bill. **Clayton Schenck, Legislative Fiscal Analyst,** said that there is no money in this bill unless it is put in during the HB 2 hearings. **Mr. Schenck** said there was no prohibition against accepting private money and they could put a sentence in the bill to include that. **REP. QUILICI** said this could go on the list for interim studies and be appropriated there. **REP. FISHER** said she liked **REP. KASTEN's** proposal of having the legislative council do the research before an interim committee is formed.

Vote: **Motion that SJR 19 Be Concurred In carried 14 - 4, with REPS. BARNHART, KASTEN, ROYAL JOHNSON and McCANN voting no.**

HOUSE STANDING COMMITTEE REPORT

April 4, 1995

Mr. Speaker: We, the committee on **Appropriations** report that **Senate Joint Resolution 19** (third reading copy -- blue) **be concurred in.**

Signed: Tom Zook
Tom Zook, Chair

Carried by: Rep. Wiseman

Committee Vote:
Yes 14, No 4.

771051SC.Hbk

EXHIBIT 1
DATE 4-4-95
SJR 19

SENATE JOINT RESOLUTION 19

This Joint resolution requests an interim study to examine the feasibility of setting up a self-chartered or state owned financial institution to accept and invest foreign deposits. While it appears to be feasible, we need to know for certain. In addition, we need to determine whether it is legally feasible and practically feasible.

The Interim Study Committee would meet approximately six times between July 1, 1995 and September 15, 1996. Total costs incurred for this study are projected at $16, 950.

BACKGROUND

For years, Switzerland was the only safe and private haven for investors in the world. After WWII, Luxembourg, Liechtenstein, Panama, and the Cayman Islands have seen the value in capitalizing on this real and sizable market.

WHY NOT MONTANA ?

Investors in this type of financial institution are not looking for the highest rate of return. Rather they are looking for privacy, safety and convenience. True, investors can get safety and convenience in every state in the Union -- but they can not be guaranteed privacy. Under Section 10, of the Montana Constitution, we have a right to privacy, "The right of individual privacy is essential to the well-being of a free society and shall not be infringed without showing of a compelling state interest." This study will determine if investors would be allowed a right of individual privacy under this resolution. Importantly, this type of financial institution does not interfere with or impact existing state or national banks operating in Montana.

POTENTIAL IMPACT FOR MONTANA

* State fee for invested capital per billion dollars deposited at one percent equals $10 million.
* Assuming total investment capital of $100 billion, Montana would realize annual revenues of $1 billion.
* For fiscal year 1994, the total collection of all taxes in Montana was approximately $1 billion.